

PERSI grants \$155.4 million gain sharing for public workers, retirees and employers

By Chairman of the Retirement Board, Jody B. Olson

On October 24, the PERSI Board approved a \$155.4 million Gain Sharing distribution that will benefit our 75,000 eligible public employees and retirees as well as 638 Idaho public agencies. This distribution will occur in January, 2001.

Gain sharing is a new, very valuable benefit for our constituent groups, and I commend the legislature for their foresight in setting up this program. Now that PERSI is well funded we may share excess earnings through gain sharing.

Our ability to provide these gains is the result of superior investment earnings under the sound investment management of PERSI's Chief Investment Officer, Bob Maynard. Because of this, PERSI is one of the top earning funds in the United States. According to State Policy Reports, PERSI is 8th out of 77 statewide public pension systems in terms of funding status. This solid funding level means that retirement benefits are exceedingly secure, and members can now enjoy a valuable new benefit.

This year, the State of Idaho, all school districts, most cities, counties and other public employer members will have some \$77.7 million generated to utilize as they see fit. These funds are a credit to the employers against contributions due to PERSI, creating "one-time" money for agencies to use for capital or other expenses. The employer credit will equal

about 44% of what an employer generally owes to PERSI this year.

Currently employed eligible active members will share some \$59 million. The average disbursement will be \$1,112, or 4.56% of the member's PERSI account balance. The money will be deposited in newly created 401(k) accounts. Retirees will enjoy \$18.6 million in distributions. Each will receive a "13th check," equal to about 106% of their monthly PERSI benefit. The average retiree payment will be about \$848.

And as great as gain sharing is, it is only one of PERSI's recent successes.

- Over the past decade we have gone from about 75% to 116% funded.
- We have some \$7 billion in assets.
- We have permanently reduced contribution rates by over 15% for employers and members.
- This will be the 11th straight year we have granted the maximum allowable Cost of Living Allowance (COLA) for our retirees. And with recent "retro" COLAs, all PERSI retirees enjoy 100% purchasing power.
- This year the legislature improved benefits for our existing retirement plan by 4.33%, and we have

absorbed the extra costs for this while maintaining the reduced contribution rates.

The Idaho Statesman recently ran an article that might have given the impression that PERSI gain sharing is a funding source for government. While the PERSI Board is extremely pleased to be able to share our success this year with our members and Idaho's public employers, it is important to understand that PERSI is a trust fund with assets held solely for the benefit of system members. PERSI is not in the business of being a regular funding source for state or local government. How government employers choose to spend their contribution credit is not our concern, and PERSI is not involved in those decisions.

Any future gain sharing is dependent upon strong financial results. First we must earn enough to pay existing benefit obligations. Only when there are excess earnings can we grant gain sharing. Financial markets are always uncertain, so we cannot project into the future.

This is a wonderful time to be a PERSI member. The system is solidly funded, and our members can rest assured that their retirement funds are well managed and their benefits are secure.

Employers and employees will receive letters stating gain sharing amounts

Employers, members and retirees will soon receive letters informing them of their gain sharing amounts.

Employer Letter

The employer letters will be sent out around mid-December. They will basically contain the following information:

As a PERSI employer, you now have a "Credit Against Future Employer Contributions" as a result of gain sharing.

The amount of your PERSI Gain Sharing Credit is \$— —. This amount is determined based on your employer contributions for the previous fiscal year compared to the contributions by all other PERSI employers.

You must use the credit against employer contributions. If you wish to use the credit up faster, you may also use the credit against employee contributions. You must continue to remit transmittal reports and must continue to deduct employee contributions from their pay each month. You cannot use the credit against sick leave or ORP payments.

Your credit is "one-time money." You should not count on it each year. Gain sharing may or may not occur annually, depending on PERSI's investment earnings and funding level. Gain sharing will only occur in years when PERSI has extraordinary earnings.

There are no restrictions on how you may use your PERSI savings other than those generally applicable to you. (State agencies should follow DFM guidance.) These savings may be used, in part, to enhance your payroll system to accommodate the PERSI transmittal

requirements. However you use your funds, we request that you inform your employees that PERSI is not involved in your decision, and that their regular PERSI Base Plan benefits and contributions are not reduced or affected by gain sharing or your employer credit.

Your employees will be receiving confirmation statements around the first week of February 2001 to inform them of their individual gain sharing distribution amounts, their new PERSI Choice Plan accounts, and personal identification numbers (PINs) to access their accounts via web and a toll free telephone number. If you did not supply us with home addresses for your employees, you will be receiving these statements for distribution to employees. We thank you for your assistance.

Employee Letter

Employees will receive letters stating their gain sharing distribution in early February. The letters will have the following information:

Because you are an eligible active member, we have set up a Choice Plan account for you within PERSI. We are happy to inform you that we have just made a deposit into your Choice Plan account as a result of gain sharing.

Enclosed you will find your PERSI Choice Plan confirmation notice. This confirmation shows the amount deposited into your individual Choice Plan account as a result of PERSI gain sharing. Your payment amount is based on your PERSI Base Plan account balance as of June 30, 2000. Future quarterly statements will show investment earnings or losses on these funds. If you choose to make voluntary

contributions to your Choice account, future statements will show your contributions and earnings or losses on those funds as well.

You may begin to make voluntary contributions to your Choice Plan later this year. Initially your gain sharing funds and your voluntary contributions will be invested in the same funds as the total PERSI portfolio (the PERSI Total Return Fund). Later this year we will establish a variety of investment funds for you to select from. Watch for more information or visit our Choice Plan website.

To initiate voluntary contributions, contact the PERSI Choice Plan toll free at 1-866-ID-PERSI or [www.to be determined](#)

For now, you may use a personal identification number (PIN) (found on the confirmation notice) to check your account balance at the web address or through the phone number above. When visiting the web site or calling for the first time you may select your own permanent PIN (must be six numeric digits).

Gain sharing and your Choice Plan account are in addition to your regular PERSI Base Plan. Your Base Plan benefits and contributions are not affected in any way by the new plan. Gain sharing distributions may or may not occur annually, depending on PERSI's earnings and funding status. Finally, remember that the funds in your Choice account are tax-deferred and, like your Base Plan, are not available to you until you terminate employment or retire. We hope that you will choose to make voluntary contributions to the Choice Plan to supplement your PERSI Base retirement and ensure the comfortable and secure retirement you deserve.